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TRADE AND DEVELOPMENT BOARD
Thirty-seventh session
First part
Geneva, 1 October 1990
Agenda item 4

DEBT AND DEVELOPMENT PROBLEMS OF DEVELOPING COUNTRIES

- INCLUDING DISCUSSION CALLED FOR IN PARAGRAPH 2 OF GENERAL ASSEMBLY RESOLUTION 44/232 OF 22 DECEMBER 1989 ON TRENDS IN THE TRANSFER OF RESOURCES TO AND FROM THE DEVELOPING COUNTRIES AND THEIR IMPACT ON THE ECONOMIC GROWTH AND SUSTAINED DEVELOPMENT OF THOSE COUNTRIES

Draft resolution submitted by Senegal on behalf of the States members of the Group of 77

The Trade and Development Board,

Recalling its resolution 375(XXXVI) of 13 October 1989, the Final Act of UNCTAD VII, and General Assembly resolutions 41/202, 42/198, 43/198, 44/205 and 44/232,

Concerned that many developing countries, particularly the heavily indebted ones, continue to experience poor growth performance, which can be a threat to their economic, social and political stability,

Further concerned about the increasingly large negative net transfer of resources to developing countries,

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Welcoming the recent improvements in the debt strategy and proposals to strengthen it, which have broadened the scope for policy action,

Concerned that the progress made in the implementation of the debt strategy has been very limited, and that the strategy has not as yet led to the restoration of sustained and satisfactory growth, external viability and normal debtor-creditor relations in most heavily indebted countries,

Noting with deep concern the serious adverse impact of the latest crisis on many developing countries, particularly the heavily indebted ones,

Recognizing the role of the international financial institutions in dealing with the debt problem of developing countries,

1. Agrees that urgent action is needed to achieve a comprehensive, durable and equitable solution to the debt crisis and to promote the revival of growth and sustained development in developing countries. This will require inter alia:

(a) Substantial improvement of the terms of official debt reschedulings in order to bring debt-service obligations in line with what heavily indebted countries can reasonably pay without jeopardizing their economic growth and the satisfaction of basic social needs. This should be achieved through urgent consideration of the various proposals recently put forward by a number of creditor Governments concerning the reduction of official bilateral debt and debt-service, and the expeditious implementation of all relevant decisions. In particular, consideration should be given to (i) full cancellation of official bilateral debt owed by low-income countries, or alternatively cancellation of most of this debt with the remaining amount being rescheduled on concessional terms and with long maturities; (ii) the adoption of a bolder approach to address the debt problem of middle-income and lower middle-income countries with significant official debt. This approach should include adequate reduction of debt and debt-service payments due to official bilateral creditors; (iii) more extensive use of swaps of official claims for equity and for humanitarian or ecological purposes, in accordance with the priorities of debtor countries;

(b) Faster and more effective implementation of the strengthened debt strategy designed, inter alia, to enlarge the scale of reduction of debt and debt service owed to commercial banks through financial support from official sources. In this regard, multilateral institutions and creditor Governments are invited to review intensively those aspects of their operating guidelines, and fiscal and regulatory provisions, that have a bearing on debt and debt-service reduction, to ensure that they promote adequately this process;

(c) Measures to alleviate the burden of multilateral debt owed by the least developed countries, as recommended by the Second United Nations Conference on the Least Developed Countries. Such measures could include interest rate subsidies or refinancing schemes funded by reflows or special trust funds;

(d) Adequate financial assistance by donors to developing countries with overdue obligations to multilateral financial institutions in order to help clear arrears and finance structural adjustment programmes;

(e) The adoption of appropriate measures by official creditors to alleviate the debt problem of those developing countries with substantial debt burdens that have not restructured their debt and have remained current in servicing their external obligations;

(f) The strengthening by debtor countries of their growth-oriented adjustment policies including measures to consolidate national savings, attract foreign direct investment and other non-debt creating flows, and reverse capital flight, in accordance with the priorities of debtor countries;

(g) Intensified efforts by industrial countries to bring about a more favourable international economic environment conducive to growth and development by adopting an appropriate mix of fiscal and monetary policies that would bring down interest rates; by promoting exchange rate stability; by ensuring adequate financing of adjustment programmes; by facilitating the flow of direct investment and other non-debt-creating flows to developing countries; and by agreeing within the Uruguay Round, to the dismantling of tariff and non-tariff barriers affecting developing countries' exports;

2. Urges the multilateral financial institutions and the donor countries to take appropriate steps to assist effectively developing countries adversely affected by the latest crisis. In particular, the multilateral financial institutions should extend highly concessional assistance, and play a catalytic role in mobilizing additional concessional financing from bilateral and multilateral sources as well as substantial debt relief.

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TRADE AND DEVELOPMENT BOARD
Thirty-seventh session
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Geneva, 1 October 1990
Agenda item 2

FOLLOW-UP AND REVIEW OF THE IMPLEMENTATION OF THE FINAL ACT OF UNCTAD VII IN ACCORDANCE WITH BOARD DECISION 350 (XXXIV):

Stocktaking of the implementation of the Final Act of UNCTAD VII in preparation for UNCTAD VIII

Position of the Group of 77 on agenda item 2, submitted by India on behalf of the States members of the Group of 77

Agenda item 2 signals our having reached a cross roads in the work of UNCTAD. The implementation of the commitments undertaken by the international community in the areas of international trade, resources for development, commodities and the problems of least developed countries is up for evaluation. On the other hand, this evaluation would presage what UNCTAD VIII must seek to do. In some areas, UNCTAD VIII will have to take up from where UNCTAD VII left off, and in some others, it must seek to break new ground.

2. The Group of 77 have underlined on several occasions the substantive necessity and practical utility of the Trade and Development Board reviewing the implementation of policies and measures in the Final Act of UNCTAD VII and interrelationships among them. We have also emphasized the need to adapt and

strengthen them in the light of changed circumstances. We would therefore avail of this opportunity to focus on those aspects of the follow-up and implementation which are important as a matter of principle and which in turn have an impact on the key "objective" of revitalising development, growth and international trade which UNCTAD VII had set out to achieve. We expect that Governments, International institutions and UNCTAD itself, who were given the responsibility of adopting certain policy approaches and taking specific action by the Final Act will exert themselves in the time leading up to the UNCTAD VIII Conference and beyond so that the consensus of UNCTAD VII becomes part of the continuum of the development dialogue.

3. The central objective of UNCTAD VII, was the revitalisation of development, growth and international trade in a more predictable and supportive environment. Progress towards achieving this objective has been limited, disappointing and asymmetrical during the period under review. Relevant issues of TDR and our statement on interdependence at this Session as well as other analysis and surveys bring this out clearly. In fact, the revitalisation of development and growth particularly in developing countries emained a chimera as stagnation, decline and widespread poverty characterised much of the developing world. There was a perversion of the Final Act's ideal of making interdependence a "vehicle for transmitting and cumulating positive impulses". Interdependence instead became a medium for subjecting the vulnerable economies of developing countries to the vagaries and distortions of the international monetary, financial and trading systems and a source of conflict. There was not much improvement in the international economic environment which continued to remain unsympathetic to the predicament of developing countries and far from supportive of their efforts to grow out of their underdevelopment, structural and inherited weaknesses and technological disadvantages.

4. In the Final Act, all countries - whether developed market economy, East and Central European or developing - had committed themselves to assume "joint responsibilities to take convergent action in accordance with their capacities and weights in the world economy", towards improvement of the international environment for accelerated and sustainable developmnent. How did they fare in discharging these responsibilities?

5. Developed countries were to work for stable, sustainable and non-inflationary growth, a goal which was far from achieved though forward movement was recorded in some areas and countries. But the one area where there was definite failure was with regard to "enhancing the positive impact on development of measures to deal with their mutual imbalances". On the contrary, macro economic policies and measures taken to correct structural imbalances among them actually had an adverse effect on development in developing countries. For example, developed country policies calculated to keep commodity prices low, interest rates high and trade barriers up contributed in a large measure to the retardation or slow down of development in developing countries. This has been well brought out in the TDR 1990, which points out that growth in developed countries over the last decade was made to happen in such a way as to be at the expense of, not for the benefit of, developing countries. The DMECs were also asked to strengthen mechanisms for the ongoing process of multilateral surveillance. In one aspect alone, the lack of effective multilateral surveillance is symptomised by the widespread financial disorder, instability and chaos due to the deregulation and globalisation of financial markets. Also, the mechanism for multilateral surveillance is not broad-based or participative and does not whilst attempting control over macro ecoromic policies and factors, take into consideration the interests of developing countries. The recent crisis in West Asia has indeed exposed the weakness of this mechanism and also highlighted the need for an emergency response system.

6. The protectionist policies followed by developed countries and their demands and positions in the Uruguay Round vis-à-vis developing countries (in market access, rule making and in TRIPS, TRIMS and Services) are not calculated to be helpful in building up the production potential of developing countries. On the contrary, these policies along with import compression, BOP crisis and disinvestment resulting inter alia from debt servicing outflows has engendered the weakness of existing capacities and prevented the establishment of new capacities in most developing countries.

7. Developed country pledge to improve access for imports from developing countries remained largely unfulfilled as non-tariff measures were increasingly targetted against developed country exports, as protectionism in areas of export interest to developing countries remained as entrenched as before and as the scope and value of GSP was eroded.

8. As regards the commitment to undertake consequential structural adjustments in agriculture and industry, successive PSA reports of UNCTAD over the last three years and GATT reviews of the international trading system clearly indicate that developed countries have shown little political will to undertake structural adjustment in industry or agriculture. Instead, there has been an attempt to shift the burden of adjustment almost entirely on to developing countries and recourse has been taken to protectionist barriers. The enhanced flow of public and private resources and intensification of economic assistance to developing countries in keeping with their particular resource needs remains to be achieved.

9. As regard the countries of East and Central Europe, there is an understandable distraction from tasks of development co-operation because of their having to overhaul their economies in a compressed timeframe. However, it is expected that their preoccupation with internal economic reforms would not make them oblivious of their commitments undertaken at UNCTAD VII.

10. As regards the commitments of developing countries whether it is on the question of mobilisation of domestic financial and human resources or providing suitable policy environment for external financial resources, developing countries have tried to carry out their responsibilities with regard to their own development. Considerable progress has been recorded by developing countries in significantly increasing their domestic saving rates, opening up financial markets to private capital, releasing industry and trade from dispensable controls and building a human resource base of skilled and scientifically trained manpower. Virtually all developing countries have adopted policies in a bid to attract foreign investment. Premium is increasingly been placed on a more efficient and effective allocation and use of domestic and external resources. Yet, as we have pointed out in our statement on interdependence, the degree of "adjustment" and the multifarious tasks that developing countries were asked to simultaneously undertake in a negative external environment (reduced resources, barriers against their exports, worsening terms of trade, high debt servicing liabilities, etc.) contributed to what UNCTAD has called the negative dynamics of development.

11. As regards the continuance and improvement of mutual economic co-operation between and among developing countries in pursuance of the objectives of national and collective self-reliance, significant progress has been recorded in terms of the launching and operationalisation of the GSTP

Agreement, moves towards developing country free trade areas and regional economic integration arrangements and initiatives in the context of the Group of 77 itself. However, the recommendations of the South Commission Report as well as the emerging dynamics of international economic relations will hopefully spur developing countries into more meaningful co-operation in the areas of trade, finance, technology, commodities and services, as well as in their dialogue with the North.

12. UNCTAD VII was also marked by an agreement on the need for co-operation among all countries to improve the systems, structures and arrangements which underpin international economic relations particularly in the interrelated areas of money, finance and trade, making them more supportive of development and observing provisions related to differential and more favourable treatment for developing countries in trade. Such co-operation has been fitfull and sometimes absent not only because of divergence on the modalities of such co-operation but the evasion of responsibility by the majors for undertaking any action that would serve anything but their own short-term economic interests. Is it surprising then that these systems, stuctures and arrangements of the international economy remained as skewed against development as they were before and in some ways deteriorated into further chaos as developed countries chose to "surrender" the world economy to the power of the markets which they 'controlled' through their influential economic agents - the Trans National Corporations and Banks.

13. UNCTAD VII had noted that the stringency of external resources for many developed countries in recent years has posed difficult challenges for both multilateral co-operation and domestic economic management and identified these challenges as (a) the debt problem, (b) adequacy of external financial resources, (c) mobilisation of domestic savings and human resources and (d) related monetary questions. The stringency and the challenges remain and have in fact become more acute in the last three and a half years.

14. I would not like to go into the magnitude and complexity of the debt crisis still confronting developing countries except to reaffirm what has been said about the considerable distance we have still to travel to find and operationalise an effective and comprehensive solution which will enable satisfactory growth to happen and continue in developing countries. Looking at Para. 44 one could briefly identify aspects of the UNCTAD VII understanding on the debt crisis and see to what extent it was implemented:

- Para. (a) - medium-term adjustment programmes centered around investment needs were not generally used as required;
- Para. (b) - policy advice remains largely unchanged and divorced from the economic, political and social characteristics and needs of debtor countries;
- Para. (c) - debt restructuring agreements fail to take due account of countries' debt servicing capacity and to make adequate allowance for contingencies;
- Para. (d) - as has been separately pointed out developing countries continued to pursue and intensify their efforts to raise savings and investment, improve efficiency, whilst addressing the problems of the poorer strata;
- Para. (e) - external financing from private sources continued to decline and from public sources remained inadequate both in terms of quantity and3concessionality and were ineffective in correcting external fiscal imbalances, lowering real rates of interest, making existing rates more stable and markets more accessible to developing countries;
- Para. (f) - multilateral surveillance to ensure a stable and predictable international economic environment in support of growth remained weak;
- Para. (g) - although progress has been made as regards debt reduction (Brady initiative) it suffers from some inadequacies;
- Para. (h) - commercial Banks have shown little interest in providing new loans and commercial flows to indebted developing countries;
- Para. (i) - As the TDR 1990 brings out, export credit cover and flows remain a serious problem for developing countries;
- Para. (j) - as regards rescheduling operations, the "short leash" approach has continued to prevail;
- Para (k) - the Toronto terms marked a step forward in relieving the debt servicing burden of poorest countries but needs to be improved and extended. The eligibility criteria needs to be reviewed so as to extend the benefits to all Least Developed Countries and all IDA eligible countries;
- Para. (l) - in respect of the ODA debt of poorer developing countries, not all developed donor countries have implemented the TDB Resolution 165S(IX);
- Para. (m) - further action needs to be taken to deal with the problems of the poorer countries in Sub-Saharan Africa and in

15. On the whole, it is clear that many of the policy recommendations on the debt crisis remain relevant for reiteration by UNCTAD VIII. Also, UNCTAD VIII would have to recognise as did UNCTAD VII that "a global, durable and mutually agreed solution to the debt crisis will be reached only by an approach based on development, within the framework of integrated, co-operative, growth oriented strategy that takes into account the particular circumstances of each country so as to assist developing countries to reach, on a sustainable basis, their growth and development potential". In this regard, UNCTAD VIII would have to take into account all aspects of the problematique of debt including measures to prevent countries from falling into the debt trap.

16. External Resources for Development Official Development Assistance (ODA) which has been the backbone of development finance in the 1980s saw a stagnation in its net disbursements in the last three years. DAC member countries, providing bulk of the ODA did not record any improvement in their aid effort over the past decade as measured by the ratio of ODA to GNP. Their ODA languished at slightly less than half of the internationally agreed target by 0.7% ODA flows from DAC countries to Least Developed Countries remained well short of the 0.15% target despite the expansion registered over the past decade. There was a decline in concessional flows from OPEC countries. As regards the need to ensure that aid is fully supportive of development efforts, it is appropriate to recall what the Ministers of the Developing Countries (Group of 24 on International Monetary Affairs) said at their 43rd meeting in Washington on September 22, 1990 - "Ministers noted that a considerable part of aid is tied and not oriented towards development and poverty reduction and stressed that donors should provide adequate assistance on appropriate terms to support policies aimed at poverty alleviation". If this lacuna is corrected, it would also help in ensuring aid effectiveness as would an attempt to better incorporate the needs of receipient countries in aid policy and practices of donors. Regretably, aid effectiveness has become a way of establishing a strong link between the provision of aid and receipients' adjustment efforts which are undertaken within the policy framework formulated by multilateral financial institutions. Aid co-ordination has intensified in recent years especially through consultative groups and round table meetings but has remained essentially a donor-driven-process.

17. The growth and adjustment process was to be assisted by multilateral financial institutions through provision of both concessional and non-concessional finance and catalysing of additional private capital flows. These institutions were also to be strengthened by endowing them with adequate resources and instrument to fulfil their tasks. Though there have been some positive developments with regard to resource commitments of the IMF (an increase of more than 150%) and a raising of Fund quotas (50%) as well as the Agreement on the 9th Replenishment of the IDA which increased multilateral concessional lending resources by 21% in Dollar terms, though perhaps constant in real terms. In 1988, there was an agreement to expand the capital stock of the World Bank by $75 billion. All of these developments were positive. But these resources cannot be said to be adequate in terms of the new demands that have been placed on these institutions. There is therefore need for a substantial augmentation of their resources, so that these institutions possess adequate resources to fulfil the variety of tasks in connection with meeting the vast and ever growing needs of developing countries.

18. As regards the Regional Banks and Funds, though some strengthening has taken place, there is continuing need for their resources to be maintained at adequate levels so that they can play their important role in support of development, investment and growth in developing countries. After protracted negotiations, a $566 million replenishment of the IFAD was agreed to for the period 1990-92.

19. The recommendations that were made in the Final Act of UNCTAD VII with regard to the conditionality criteria of international financial institutions have been largely ignored and there has been no discernible improvement in the rigours and counterproductive effects of conditionality.

20. Concern was expressed about the plight of low income countries and their need for additional financial and concessional terms recognised in the Final Act. IMF support on concessional terms has continued for low income countries with protracted BOP difficulties under the Structural Adjustment Facility (SAF) and the Enhanced Structural Adjustment Facility (ESAF). The latter was established at the end of 1987. Thus, there has been some movement with regard to the provision of IMF resources to low income countries though much remains to be done.

21. Both developed and developing countries were called upon to explore ways and means to encourage private capital flows to developing countries. The fact is that, as separately noted, both non-debt creating flows such as foreign direct investment, and other private flows such as bank lending declined. This was inspite of the fact that many developing countries had made greater efforts to attract foreign direct investment through the liberalisation of investment regimes, the introduction of new incentives and the setting up of schemes aimed at the conversion of debt and equity. However, despite improved receptivity, the results were disappointing and in 1989 alone, foreign direct investment in developing countries fell by $3 billion. On the part of the developed countries too, there is scope for incentives and investment guarantee schemes to encourage their investors to invest in developing countries. Also, the net bank lending has been negative for the last two years with a net outflow of about $36 billion in 1989 alone, something than could only be reversed through an effective debt strategy.

22. The text of a code of conduct of Trans National Corporations has been elaborated and is now before the UNGA for consideration. It is to be hoped that the code would be adopted and would become an effective instrument for disciplining the actions of Trans National Corporations which adversely affect the resource and trade interests of developing countries.

23. What has been said in the Final Act on Domestic Resources for Development continues to remain valid. In fact, developing countries have recorded widespread improvements in savings ratios but as the TDR 1990 points out, due to outward transfers of resources and deterioration in the terms of trade, there was a worsening in investment performance in developing countries. Therefore, we reiterate that "efforts of developing countries (to expand savings and increase efficiency of investment) would be enhanced by an improved external environment with increased financial flows to them, reduced debt service and improved terms of trade."

24. As regards development of human resources in developing countries, whilst they themselves have taken steps to build up this key input for technological and economic progress, developed countries would need to provide greater access to training facilities and technologies to developing countries through bilateral and multilateral channels as well as necessary financial and technical assistance.

25. International monetary environment has remained unstable. Problems and prescriptions identified by the Final Act in regard to the international monetary system and its development impact remain valid. The BOP problems of developing countries have been exacerbated. The question of adequate international liquidity has been kept under review under the auspices of the IMF but as the Group of 24 Ministers have pointed out there is need for the Fund to "enhance its role in overseeing the functioning of the international monetary system by increasing the effectiveness of surveillance over macro-economic policies of the major industrialised countries to ensure that the process of adjustment is symmetrical and the cost is equitably sharedamong various groups of countries". Multilateral surveillance remains weak and powerless to control the volatility of exchange rates or the increase in interest rates. Article I of IMF, Articles of Agreement, remains largely ignored. No SDR allocations have occured inspite of repeated calls by developing countries for an early resumption of allocations of SDRs both to meet their liquidity needs and to contribute to the objective of making the SDR the centra piece of the international monetary system.

26. In the area of international trade, the Final Act contained analysis and policy recommendations on four major themes:

(1) Protectionism and structural adjustment, market access and policies affecting trade

(2) Systemic issues on international trade

(3) Enhancement of trade prospects for developing countries: technical assistance; and the Uruguary Round of MTNs, and

(4) Trade relations among countries having different economic and social systems.

27. On protectionism and structural adjustment, the oft repeated commitments to halt and reverse protectionism need to be fully implemented in particular taking into account the export interests of developing countries as do the commitments relating to structural adjustment. In both these areas the progress has been unsatisfactory. Developed country protectionism has in fact concentrated in sectors in which developing countries have or have gained comparative advantage. A large proportion of the exports of developing countries to developed countries (23%) remain affected by a vast of array of

non-tariff barriers. Many developed countries continue to stubbornly resist structural adjustment and phase out of their sun-set industries. Though some developed countries have set up mechanisms at the national level to evaluate the protectionist measures sought by their firms and sectors, they do not measure up to the expectations indicated in 105(4) of the Final Act and the implications of such measures for the domestic economy as a whole and their effects on the export interests of developing countries become secondary to the considerations of "instant protection" for domestic firms and sectors. It is also relevant to recall that the responsibility of structural adjustment and domestic policy reviews is greatest on those which have a large influence on the world economy. TDB remains and should continue as a unique forum for monitoring the situation relating to Protectionism and Structural Adjustment.

28. As regards the Generalized System of Preferences, there is persistent need and even greater scope for improvement of the GSP schemes and strict compliance with multilaterally agreed principles relating to their generalised, non-discriminatory and non-reciprocal character. The comprehensive review of the GSP which was conducted earlier this year provides some indications as to the improvement that would be absolutely necessary if the GSP has to play a meaningful and truly useful role for developing countries in the post Uruguay Round period. UNCTAD has been providing technical assistance in the field of GSP and in view of its utility deserves to be continued and strengthened with the provision of adequate resources. Another aspect relating to market access which deserve reiteration is the need for improvement in market access particularly for products of export interest to developing countries including manufactures and semi-manufactures, tropical products and natural resource-based products, textile and agriculture products. There is also validity in the call for the removal of discriminatory restraint on exports particularly from developing countries especially as "selectivity" is sought to be introduced into the comprehensive safeguards agreement being negotiated in the Uruguay Round.

29. As regards the Uruguay Round, it is useful to recall even at this stage of the negotiations the world view of the Final Act. It has recognised that the Uruguay Round has a critical role in the international trading system, and whose balanced outcome should in the end develop a more open, viable and durable multilateral trading system and thereby contribute to promoting growth and development. More importantly, the success of the MTNs were seen to be

greatly facilitated by "a supportive international economic environment which should ensure mutually re-enforcing linkages between trade, money, finance and development". The Final Act also laid stress on implementation of the commitments on standstill and rollback, on improvement of market access and recommended that observance of multilaterally agreed commitments with respect to trade in goods should not be made conditional on receiving concessions in other areas - a caution against cross-sectoral linkages or retaliation. The extent to which this aspect of the Final Act has been implemented has been separately outlined in the Group of 77 position paper at this session.

30. The Trade and Development Board was asked to follow closely developments and issues in the Uruguay Round of particular concern to developing countries which it has been regularly doing, a monitoring role which it would have to continue to perform even after the conclusion of the Round. In monitoring these developments, the TDB would have to address itself to the implications of the outcome of the Round for the development prospects of developing countries and how these results could be made more compatible with their trade and development aspirations and interests. The Secretary-General of UNCTAD had been requested to provide technical assistance to developing countries in connection with the Uruguay Round of MTNs so as to facilitate their effective participation in this Round. This has been done remarkably well and the need for such an assistance will persist in the post Uruguay Round period.

31. In respect of Restrictive Business Practices, the Final Act called for the continuance and strengthening of the on-going work in UNCTAD particularly with a view to ensuring transparency and to defining consultation procedures. It is hoped that some breakthrough on this will be achieved at the review conference on the Set of multilaterally agreed equitable principles and rules for the control of RBPs scheduled for next month. Also the role of TNCs and the trade restrictive and trade distorting effects of RBPs would continue to deserve consideration in UNCTAD as would the monitoring of the implementation of the Set. It is desirable that UNCTAD secretariat be enabled to continue its technical assistance programme in the field of Restrictive Business Practices.

32. As mandated by the Final Act, UNCTAD has fulfilled its task of analysing the implications of the issues raised in the context of trade in services and exploring the appropriate problematique for trade in services in several if its dimensions. It has also being providing valuable technical assitance in

the field of services. The need for UNCTAD's inputs on the multilateral framework on services will continue to be felt beyond Uruguay Round. The importance of services in every area of economic activity and as a determinant of international trade competitiveness will also have to be dealt with in UNCTAD VIII.

33. The Trade and Development Board and UNCTAD's role in reviewing and studying in depth developments in the international trading system has been a continuing one flowing as it does from its basic mandate as set out in UNGA resolution 1995. Whatever institutional and policy evolutions are contemplated, deserve to be put through the UNCTAD process because its uniquely competent and equipped to "make recommendations on principles and policies related to international trade and make proposals as to the strengthening and improvement of the trading system with a view to giving a more universal and dynamic character, as well as to making it more responsive to the needs of the developing countries and supportive of accelerated economic growth and development, particularly that of developing countries".

34. Although there was no separate agenda item in UNCTAD VII on technology, the Final Act recognised the inter-relationship between trade policies and other economic policies affecting growth and development and in this regard policies in the area of technology among others were recommended to be made compatible and consonant with a development-oriented international trading system as envisioned in the Final Act. This has in fact not happened. On the contrary, technological developments and changes have moved the comparative advantage in trade away from developing countries because of their technological handicap and attempts are on to make their access to vital technologies more difficult and expensive. It is therefore imperative that the entire gamut of issues relating to technology should be deliberated upon at UNCTAD VIII.

35. As regards the traditional item of trade relations between countries having different economic and social systems, in particular East-South trade, although the terms of reference of UNCTAD's consideration of this subject have changed, the premises of Para. 105(28) remain valid. What the East and Central European countries have been asked to do in this paragraph of the Final Act would naturally have to be posited in the context of their own internal economic reform programmes and the changes in trade policy that they have taken in hand. UNCTAD Secretariat as well as UNCTAD VIII would have the

challenge of ensuring that East and Central European integration into the international trading system would be in harmony with and favourable to the development and growth prospects of developing countries.

36. UNCTAD VII (Paragraph 74 of the Final Act) recognised the need for a better functioning of commodity markets and the desirability of achieving stable and more predictable conditions in commodity trade, including the avoidance of excessive price fluctuations and the search for long-term solutions to commodity problems. Given the continuing downward trend in commodity prices as also the prevailing unpredictability in the commodity market, it is evident that much needs to be done by the member states. It calls for renewed multilateral co-operation based on strong political will and broader understanding of the interests of the whole world community in reversing the negative trends in the commodity markets. The lack of stronger efforts and multilateral action to arrest the continuing drift in the commodity markets manifested through the chronic decline and fluctuations in the commodity prices, will further undermine the global economy, particularly the fragile economies of many developing countries.

37. It was agreed at the last Conference that the operation and functioning of existing commodity agreements should be improved (paragraph 76 of the Final Act). The overall picture in this regard is not impressive. There were setbacks as regards agreements on commodities like cocoa and coffee. In copper and tin the terms of reference for Study Groups have been agreed upon but these Study Groups are still far from being established due to lack of acceptance of the terms of reference by adequate number of states. As to the other commodities like jute and jute products, nickel, olive oil, rubber, sugar, tropical timber and tungsten, either the earlier arrangements are renewed or new mechanisms are established. Most of these are, however, limited in scope dealing with only exchange of information, market studies, promotion and transparency etc. without any mechanisms to bring about stabilisation of prices remunerative to the producers and predictable to consumers. These arrangements have, therefore, not made any significant impact on their respective markets as envisaged at the last Conference.

38. It was also agreed at the last Conference that the negotiation of new international commodity agreements or arrangements should cover the conclusion of agreements or arrangements containing appropriate economic provisions or developmental measures or measures to improve market transparency or a

combination of such provisions and measures (Paragraph 76 of the Final Act). The Secretary-General of UNCTAD was requested to convene comprehensive consultations with producers and consumers and arrange appropriate meetings on individual commodities (Paragraph 72 of the Final Act). Subsequently such consultations were held under the auspices of UNCTAD for the following commodities: bananas, bauxite, cotton and cotton yarns, hard fibres and products, manganese, meat, phosphates, tea and vegetable oils. Most of these consultations are, however, still inconclusive and it is hoped that some progress will be achieved in terms of establishing new arrangements with regard to some of these commodities. During the consultations, however, strong preference has emerged in favour of arrangements with limited scope for addressing only the issues of statistical information, market studies, transparency and promotion. In most of the cases there appears to be a lack of political will to tackle the problems of declining prices and unpredictability so as to assure better terms of trade for developing countries.

39. Since UNCTAD VII the most significant development that took place was the establishment of the Common Fund for Commodities. It is, however, imperative to take timely action to make the Fund operational so as to derive the full benefits which were envisaged while originally conceiving the Fund.

40. The last Conference agreed that international co-operation between producers and consumers should be intensified to promote horizontal and vertical diversification of the economies of developing countries as well as for increased participation in the processing, marketing and distribution of their commodities (Paragraphs 82-85). International assistance, particularly an adequate expansion of official and multilateral resources was called for to support diversification projects. It also recognised the linkage between diversification efforts and market access conditions. The working party on this subject discussed these issues at its Second Session in September 1989 and arrived at certain conclusions. In terms of multilateral co-operation and consequent progress, the picture is, however, not satisfactory. The dependence of developing countries on primary and unprocessed commodities continues to be very high. Their efforts at diversification, improved marketing and processing continue to be affected by several external factors like lack of adequate official, bilateral and multilateral resources, non-availability of better technology at affordable price. One of the major problems is the lack of market access conditions. They face proportionately

thigher market barriers of tariff and non-tariff nature against processed commodities which amounts to strong disincentives for processing and diversification.

41. It was envisaged that the issues of access to markets would be addressed in favourable terms in the Uruguay Round of MTNs (Paras. 86-87) but unfortunately so far the picture with regard to tropical and natural resource-based products and agriculture remains dismal.42.
It was recognised during the last Conference that commodity related shortfalls in export earnings of developing countries were an important obstacle to their development efforts. The need for strengthening and improving the existing compensatory financing facility of the IMF was stressed by developing countries. They also stressed the need for an additional facility because of the limited scope of the existing facilities (paras 90-91). Unfortunately the differences in the perception of this issue still persist and as a result no concrete progress as desired by developing countries has taken place and the issue still continues to be under review in UNCTAD as part of the ongoing work of the Committee on Commodities. There has been, however, some forward movement in the sphere of compensatory financing in the relevant provisions of Lome Convention and in the Swiss scheme.

43. The last Conference recognised (Paras. 94-96) that the subject of synthetics and substitutes should be dealt within a broader, developmental context and the programmes or actions should be focussed towards improving the competitiveness of natural products with respect to synthetics and substitutes. Technical and financial support should be extended towards this end and in this respect research and development activities, the identification of end uses, improving the quality of natural products, market promotion and transfer of technologies were also mentioned. The need for greater transparency in the market of synthetics and substitutes as well as the beneficial effects of trade liberalisation of natural products were highlighted. Unfortunately due to budgetary constraints low priority was given to this work and very limited work has been accomplished in this area which holds great significance also in the contest of preventing environmental degradation.

44. It is evidently clear that strong commitments and political will are required to achieve the goals of healthy equitable operations of commodity markets with stable and more predictable conditions in commodity trade which

can reverse the downward trend in the commodity prices and avoid excessive price fluctuations. Future work in this area will have to be undertaken with renewed determination so as to promote an effective multilateral co-operation.

45. Despite commitments undertaken by the LDCs and their development partners in the SNPA, and the agreements and conclusions in the Final Act of UNCTAD VII, for the LDCs as a group, the 1980s was a period of major disappointment and, within the world economy, the LDCs were marginalized even further. The Second United Nations Conference on the LDCs, held in Paris from 3 to 14 September 1990, reviewed the progress at the country-level during the 1980s as well as of progress in international support measures. The Conference then adopted a Programme of Action for the LDCs for the 1990s, along with a declaration, called Paris Declaration, which in essence is a statement of political commitment by the participants to the Conference to implement the Programme of Action.

46. We draw the following conclusions from our analysis of the implementation and follow-up to the Final Act of UNCTAD VII as a guide post to UNCTAD VIII:

(a) the tasks for development co-operation remain as varied, complex and urgent as they were when UNCTAD VII met nearly three and a half years ago. UNCTAD VIII must pick up the baton and seek to further the objectives and tasks of UNCTAD VII.

(b) As in the past, the focus of UNCTAD VIII should be on multilateral action and international co-operation and assumption of joint responsibilities to take convergent action in accordance with their capacities and weights in the world economy by all countries towards significant improvement of the international economic environment for accelerated and sustainable development. The aim should be to evolve a equitable, rational and effective management of interdependence and of global resources without which accelerated and sustainable development cannot be made to happen.

(c) 'Resources for development' must be an important item of Agenda of UNCTAD VIII and cover financial and related monetary questions. Stress must be placed on external resources for development and on finding an equitable durable and mutually agreed and development based solution to the debt crisis.

(d) On another important item of UNCTAD VIII Agenda, international trade, apart from analysis and policy recommendations on the traditional four themes, UNCTAD VIII would have to assess the implications of the outcome of the Uruguay Round for the development prospects of developing countries and identify ways in which the positive development impact of the outcome could be maximised. Issues such as GSP, RBPs and systemic issues on international trade would have to remain the concern of UNCTAD VIII especially with a view to giving the international system a more universal and dynamic character and making it more responsive to the needs of developing countries.

(e) On commodity issues, the failures of the past should spur us to greater efforts and vigorous action. UNCTAD VIII should pledge all countries to devise measures and work for the stabilisation of commodity markets and for commodity development.

(f) In the area of technology, the entire gamut of issues relating to access, transfer, diffusion and adaptation of technology to and in developing countries should be addressed including action relating to the draft code and Transfer of Technology.

(g) In the area of services, strengthening of developing country capabilities and adoption of measures to enhance their participation in international trade in services should be given priority.

47. The Final Act of UNCTAD VII outlined an ideal framework for the development dialogue - a framework which in our view remains valid for not only UNCTAD VIII but for all time to come. It is, therefore, worth recalling that framework:

> The Conference agreed that mutual benefit, common interest, equality, non-discrimination and collective responsibility, as well as recognition of the diversity of national paths to development, could be the basis of a constructive and action-oriented dialogue which would instil new strength into multilateral co-operation for development. In a particular conjuncture, such a dialogue would have to pay due regard to cyclical and structural trends and incorporate both international dimensions and the interactions between those dimensions and national factors and policies. It would also have to take into account the interrarelationships between short-, medium- and long-term problems and solutions."

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First part
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Agenda item 3

INTERDEPENDENCE OF PROBLEMS OF TRADE, DEVELOPMENT FINANCE AND THE INTERNATIONAL MONETARY SYSTEM

Economic consequences of the latest crisis

Draft resolution submitted by Senegal on behalf of the States members of the Group of 77

The Trade and Development Board,

Recalling its resolution 374 (XXXVI) on interdependence,

Noting with appreciation the report of the UNCTAD secretariat entitled "Economic consequences of the present crisis: a preliminary assessment" (TD/B/1272),

Expressing concern at the severe impact of this crisis on the world economy generally, with grave consequences for developing countries,

Conscious of the need for a multilateral financial response commensurate with the needs of the countries adversely affected, especially the most severely affected countries, based on economic criteria,

Conscious also of the urgent need for international co-operation in order to reduce the adverse effects of the crisis,

Taking note of the initiatives already under way,

1. Recommends that the United Nations General Assembly, in co-operation with the relevant institutions of the United Nations system, take steps to identify the extent and nature of the adverse impact on the affected countries and consider establishing an emergency programme of compensation and assistance to such countries so as to ensure that sufficient funds are mobilized expeditiously and on appropriate terms;

2. Requests the Secretary-General of UNCTAD to keep the situation under review and report to the Trade and Development Board at the second part of its thirty-seventh session.

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DRAFT PROVISIONAL AGENDA FOR THE SECOND PART OF THE THIRTY-SEVENTH REGULAR SESSION OF THE BOARD AND ORGANIZATION OF THE WORK OF THE SESSION

Note by the UNCTAD secretariat

1. In pursuance of rule 8 of the rules of procedure of the Board, a draft provisional agenda for the second part of the thirty-seventh regular session is submitted herewith.

2. The Board might wish to authorize the Secretary-General of UNCTAD, in consultation with the President, to adjust and complete the draft provisional agenda in the light of developments, including action taken by the General Assembly at its forty-fifth session. This arrangement would be on the understanding that any amendments or additions would be subject to consultation with the representatives of regional groups within the framework of the consultative machinery established by Board decision 143 (XVI) and Board resolution 231 (XXII).

3. The secretariat's annotations to the provisional agenda, to be issued eight weeks in advance of the session, will indicate the specific matters on which the Board will be required to take action.

4. The Board may wish, as in the past, to request the Secretary-General of UNCTAD to consult delegations regarding the organization of the work of the session and to circulate his suggestions thereon.

Annex

DRAFT PROVISIONAL AGENDA FOR THE SECOND PART OF THE THIRTY-SEVENTH REGULAR SESSION OF THE BOARD

1. Procedural matters:

   (a) Adoption of the agenda and organization of the work of the session;

   (b) Adoption of the report on credentials;

   (c) Provisional agenda for the first part of the thirty-eighth regular session of the Board;

   (d) Provisional agenda for the seventeenth special session of the Board;

   (e) Designation of the President of the thirty-eighth regular session of the Board

2. Protectionism and structural adjustment and, in conjunction therewith, outcome of the Uruguay Round on development and issues of particular concern to the developing countries, in accordance with paragraph 105 (8) of the Final Act of UNCTAD VII

3. Preparations for the eighth session of the United Nations Conference on Trade and Development

4. United Nations Programme of Action for African Economic Recovery and Development 1986 - 1990: UNCTAD's intergovernmental input into the General Assembly's final review and appraisal of the implementation of the Programme of Action in 1991

5. Review of progress in the implementation of the Programme of Action of the Second United Nations Conference on the Least Developed Countries

   - UNCTAD's contribution to the follow-up of the Programme of Action

6. Other matters in the field of trade and development:

   (a) Implementation of the Declaration on International Economic Co-operation, in particular the Revitalization of Economic Growth and Development of the Developing Countries (Economic and Social Council resolution 1990/54)

   [to be completed in the light of developments]

7. Other matters requiring action by the Board arising from or related to reports and activities of its subsidiary and other bodies

   [to be completed in the light of developments]

8. Institutional, organizational, administrative and related matters:

(a) Treatment of new States members of UNCTAD for purposes of elections;

(b) Announcement of any changes in the membership of the Board and election to membership of main Committees;

(c) Designation of intergovernmental bodies for the purposes of rule 76 of the rules of procedure of the Board;

(d) Designation and classification of non-governmental organizations for the purposes of rule 77 of the rules of procedure;

(e) Review of the calendar of meetings;

(f) Administrative and financial implications of the actions of the Board

[to be completed in the light of developments]

9. Other business

10. Adoption of the report of the Board.

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Agenda item 4

DEBT AND DEVELOPMENT PROBLEMS OF DEVELOPING COUNTRIES

- INCLUDING DISCUSSION CALLED FOR IN PARAGRAPH 2 OF GENERAL ASSEMBLY RESOLUTION 44/232 OF 22 DECEMBER 1989 ON TRENDS IN THE TRANSFER OF RESOURCES TO AND FROM THE DEVELOPING COUNTRIES AND THEIR IMPACT ON THE ECONOMIC GROWTH AND SUSTAINED DEVELOPMENT OF THOSE COUNTRIES

Draft resolution submitted by the President

The Trade and Development Board,

Reaffirming its resolution 375(XXXVI) of 13 October 1989,

Recalling the Final Act of UNCTAD VII, and General Assembly resolution 41/202,

Noting General Assembly resolutions 42/198, 43/198, 44/205 and 44/232,

Concerned that many developing countries, particularly the heavily indebted ones, continue to experience poor growth performance, which is a threat to their economic, social and political stability,

Further concerned by continued insufficient financial resources available to developing countries for development, which in a number of cases have not offset the outflows of resources from developing countries,

Welcoming the recent improvements in the debt strategy and especially:

(a) the wide application of the Toronto terms since 1988;

(b) the application by the Paris Club of new practices in favour of lower middle-income countries since September 1990, which include longer repayment periods as well as, on a voluntary basis, limited debt for nature, debt for aid, debt for equity swaps or other local currency debt swaps;

(c) the efforts made or announced by developed countries, in conformity with Trade and Development Board resolution 165(S-IX) of 11 March 1978, by cancelling official development assistance debt, or providing equivalent relief;

(d) the recommendations made by the Interim and Development Committees to fully and expeditiously implement the strengthened debt strategy;

(e) the number of debt and debt-service reduction packages already concluded, or in the course of negotiation, between debtor countries and commercial banks;

(f) the proposals made by some Governments, such as France, the Netherlands and the United Kingdom, involving further measures to reduce the official debt burden, and efforts by the United States to implement the Enterprise for the Americas Initiative designed to promote investment, growth and debt reduction in Latin America,

Noting with interest the continued analytical efforts carried out by a number of international institutions, and that the Secretary-General of the United Nations has appointed Mr. Bettino Craxi as his Personal Representative on Debt,

Encouraging further progress to be made in the implementation of the debt strategy in order to contribute to the restoration of normal debtor-creditor relations in most heavily indebted countries, external viability, sustained and satisfactory growth, and adjustment efforts of developing countries,

Noting with deep concern the serious adverse impact of the latest crisis on many developing countries, particularly the heavily indebted ones and those most seriously affected,

Recognizing the role of the international financial institutions in dealing with the debt problems of developing countries,

1. Agrees that further action through the international debt strategy is needed to achieve expeditiously durable, equitable and mutually agreed solutions to the problem of indebtedness in each of the countries concerned, with a view to promoting the revival of growth and sustained development in developing countries. This will require, inter alia:

(a) Intensified efforts by industrial countries, within the framework of international co-operation, to bring about a more favourable international economic environment conducive to non-inflationary growth and development by adopting an appropriate mix of fiscal and monetary policies conducive to a decline in interest rates; by promoting the stability of exchange markets; by facilitating adequate financing of adjustment programmes; by encouraging the flow of foreign direct investment and other non-debt creating flows to developing countries; and by contributing, with all trading partners, to a timely and successful outcome of the Uruguay Round of multilateral trade negotiations that would result in the liberalization and expansion of world trade to the benefit of all countries, especially developing countries;

(b) The strengthening by debtor countries of their growth-oriented adjustment policies including sound macro-economic and structural policies, measures to consolidate national savings, attract foreign direct investment and other non-debt creating flows, and reverse capital flight, taking into account their priorities and the needs of the most vulnerable groups;

(c) Intensified efforts to review the terms of official debt reschedulings in order to bring debt-service obligations in line with what heavily indebted countries can be expected to pay according to their capacity,

- without jeopardizing their adjustment efforts, their economic growth and the satisfaction of basic social needs,

- through urgent consideration of the various proposals recently put forward by a number of creditor Governments concerning the reduction of official bilateral debt and debt service owed by low-income countries,

- through, inter alia, consideration of options by creditor countries to lighten the debt burden of middle-income countries with significant official debt;

(d) Faster and more effective implementation of the strengthened debt strategy designed, inter alia, to extend, on an appropriate scale, to additional eligible countries the reduction of debt and debt service owed to commercial banks, with financial support from official sources, where appropriate. In this regard, multilateral institutions and creditor Governments are invited to continue to review intensively those aspects of their operating guidelines, and fiscal and regulatory provisions, that have a bearing on debt and debt-service reduction, to ensure that they facilitate this process;

(e) Careful consideration of measures by multilateral financial institutions, development funds and donor countries to alleviate the burden of multilateral debt owed by the least developed countries, as recommended by the Second United Nations Conference on the Least Developed Countries in Paris;

(f) Adequate financial assistance by donors to developing countries making serious efforts to cope with overdue obligations to multilateral financial institutions, in order to help clear arrears and finance structural adjustment programmes through a co-operative approach;

(g) Due consideration to be given by creditors, through the adoption of appropriate policies, to those developing countries with substantial debt burdens that have not restructured their debt and have remained current in servicing their external obligations, while carrying out sound macro-economic policies;

2. Urges the multilateral financial institutions and the donor countries to take appropriate steps to assist effectively developing countries adversely affected by the latest crisis. In particular, the multilateral financial institutions are invited to respond promptly, flexibly and with expanded resources to the needs of the present situation, and play a catalytic role in mobilizing additional assistance.